

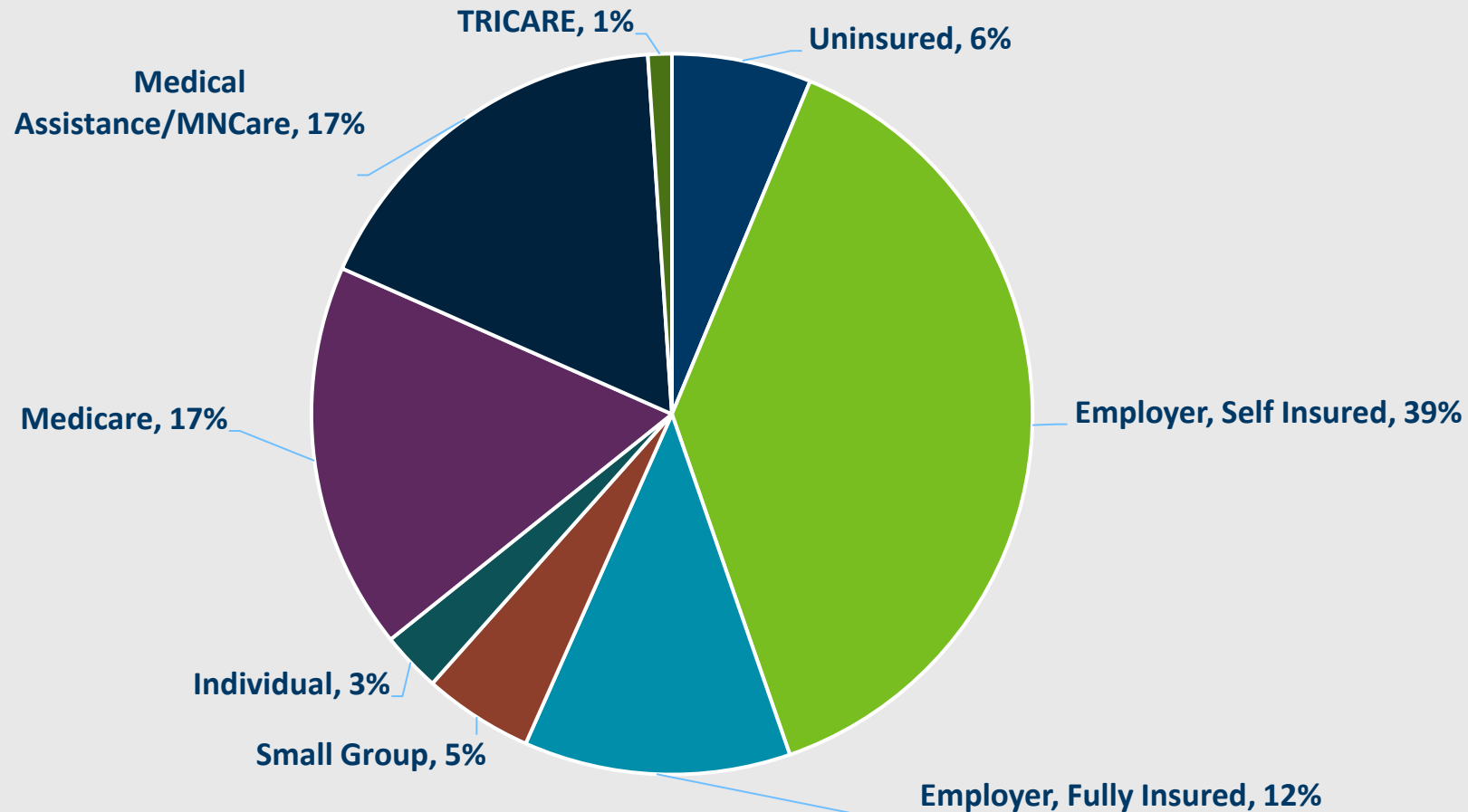
Section 1332 Innovation Waiver Public Meeting Presentation

June 24, 2021

Presentation overview

- How Minnesotans receive their health insurance coverage
- The state of Minnesota's individual market in 2016-17
- Actions taken by the Minnesota Legislature to make coverage more affordable
- Minnesota's 1332 waiver for an individual market reinsurance program
- Reinsurance program figures, 2018-2020
- Impact of COVID-19
- Impact of American Rescue Plan Act (ARPA)
- Reinsurance status, 2022

Distribution of Minnesota Population by Primary Source of Insurance Coverage, 2017



Sources: MDH Health Economics Program; U.S. Census Bureau, Annual Estimates of the Population for July 1, 2018.

High Risk Pool ended in 2014. Individual may also be referred to as non-group market. Employer, fully insured is a residual of the MDH fully insured estimate, net of individual and small group coverage.

2016-17 individual market landscape

- Some federal programs providing individual market stability expired
- Another key Affordable Care Act aspect, premium tax credits (PTC), continued to provide stability to those with incomes below 400% of federal poverty level (FPL)
- For individual market enrollees with incomes above 400% FPL, vulnerability to instability
- Instability triggered by more participants with high-cost claims than expected

2016-17 individual market landscape, continued

- Minnesota insurance companies reacted with rate increases, enrollment cap requests, narrower provider networks and a market exit:
 - From 2014 to 2017, the gross average premium per enrollee per month rose from \$206 to \$526
- Worst-case example: Family in Rochester, 60-year old head of household, with \$105,000 of income, paying \$2,000 per month in premiums
- Market enrollment dropped significantly:
 - Enrollment peaked in 2015 with over 300,000 enrollees
 - Approximately 260,000 in 2016
 - Approximately 160,000 in 2017

Legislative initiatives around insurance affordability

- In January 2017, the legislature authorized a 25% direct premium subsidy funded by the state and administered by the health carriers
 - All individual market enrollees not receiving advanced premium tax credits from the federal government received the state discount for the remainder of 2017
 - Program ultimately cost approximately \$137 Million and served approximately 118,000 Minnesotans
- In April 2017, the legislature authorized a state-based reinsurance program called the Minnesota Premium Security Plan (MPSP)
 - This law required filing for approval of a 1332 waiver program from the federal government

Minnesota's 1332 waiver application

- The reinsurance program required federal approval via Section 1332
- Commerce and DHS prepared the 1332 waiver application, working with federal agencies on language designed to ensure that the State's Basic Health Plan (BHP), MinnesotaCare, would be held harmless
- On September 22, 2017, CMS partially approved Minnesota's application, authorizing reinsurance but not holding BHP funding harmless
- Governor Dayton signed the agreement, but did not waive Minnesota's rights to the BHP funding
- 1332 waivers last up to five years

1332 waiver approval

- Minnesota's waiver, associated with the MPSP, aimed to do the following:
 - Maximize federal funding to reduce individual market premiums
 - Capture federal funds that would otherwise already come to Minnesota
 - Minnesota's 1332 waiver application showed that the program is deficit-neutral to the federal government
 - Stabilize the individual market
 - 2018 - 2021 rates were approximately 20 percent lower than they would be absent the program
 - Carriers in the market in 2017 remained in the market thereafter
 - For plan year 2021, all counties have more than one carrier offering coverage

Reinsurance administration and processes

- The Minnesota Comprehensive Health Association (MCHA) oversees the reinsurance program
 - MCHA has developed auditing, accounting and payment procedures to make 2020 reinsurance payments to carriers by August 15, 2021
- Financial cost of high-cost claims to carriers and to the state are determined as claims develop over the year
- Quarterly and annual reports are due to the federal government throughout the duration of the waiver

Reinsurance federal funding and program size, 2018-20

	2018	2019	2020
Federal funding	\$130.7 million	\$84.8 million	\$86.1 million
Program size	\$136.1 million	\$149.7 million	\$160.2 million

Distribution of Reinsurance Payment Dollar Amounts by Rating Area 2020

Rating Area	Reinsurance Distribution*	Enrollment Distribution**
Rating Area 1 - Rochester	11%	5%
Rating Area 2 - Duluth	6%	5%
Rating Area 3 - South Central	7%	4%
Rating Area 4 - South West	2%	3%
Rating Area 5 - West Central	4%	4%
Rating Area 6 - West	5%	4%
Rating Area 7 - Central	7%	8%
Rating Area 8 - Metro/St. Cloud	57%	66%
Rating Area 9 - North West	1%	1%
Statewide	100%	100%

*Initial 2020 Benefit Year MPSP Report, Wakely Consulting Group

**Enrollment data as of April 2019, aggregated by MN Dept of Commerce

COVID-19 reinsurance program impact

- Claims decreased in 2Q 2020 (mainly due to reduction in elective procedures)
- Claims increased later in the year
- The net result for 2020 was reinsurance costs being close to expectations.

2021 individual market landscape

- Key development: American Rescue Plan Act (federal stimulus)
 - Effective March 11, 2021
 - Substantially increased premium tax credits, including for those with over 400% FPL of income
 - Most individual market enrollees with an on-exchange plan can expect to receive more federal PTC, starting in 2021 (so retroactively).
 - Individual market enrollees have an opportunity to change plans to take advantage of increased PTC.

American Rescue Plan impact

- Previous worst-case example:
 - 60 year old couple in Rochester with \$105,000 income that was paying \$2,000 per month
 - What they will pay under the American Rescue Plan: \$744.
- Many individual market enrollees will see substantial decreases in what they pay in premiums

American Rescue Plan impact, continued

- Congress capped what people pay for benchmark coverage as a percentage of income.
- Above 400% FPL income, that percentage is 8.5%
- For lower income levels, that percentage is substantially lower
- Impact is for plans purchased on exchange
- For those in low-cost categories (low-cost regions or lower ages) with benchmark premiums below the income cap:
 - Increase PTC does not apply; these enrollees may face moderate rate increases in 2022

American Rescue Plan impact, continued

- With the new subsidies, the reinsurance program's cost related to the benefits provided to Minnesotans has shifted substantially.
- On net, we would expect ARPA to have the effect of significantly reducing overall premium costs for at least 100,000 Minnesotans in 2022.
- With the income-capped premiums, service area coverage is expected to remain stable.
- Consumer protections such as coverage for essential health benefits and pre-existing conditions will continue.

- Reinsurance was initially authorized by the legislature for two years, 2018 and 2019.
- It was subsequently re-authorized for another two years, 2020 and 2021.
- The program has not been authorized beyond that period.
- Discussions are taking place at the legislature regarding a 2022 program

2022 Outlook, continued

- Therefore, in accordance with the Terms & Conditions of the waiver, the Minnesota Department of Commerce posted the state's 1332 waiver transition and phase-out plan for a 30-day public comment period.
- Comments: at this forum or by 6/28 at MN1332PublicComments@state.mn.us.
- Legislative action will determine whether the program is actually phased out.

Upcoming activities

- Offer tribal consultations and other stakeholder engagement opportunities (from now until late June)
- Host public forum, including discussion of program phase-out (today)
- TBD, depending on legislative action:
 - Incorporate the public feedback into a formal notification letter to the federal Center for Medicare & Medicaid Services (CMS) (prior to July 1)
 - Submit formal notification letter and phase-out plan to CMS (by July 1)
 - Begin phase-out implementation activities (within 14 days of federal approval of plan)

Upcoming activities, continued

- Make reinsurance payments to health carriers for 2020 expenses (by August 2021)
- Submit draft annual program report to CMS (by March 31, 2022)
- Publish draft annual program report on Commerce website (within 30 days of submission to CMS)
- Submit final annual program report to CMS (within 60 days of receipt of federal comments)
- Post final annual program report on Commerce website (within 30 days of approval the report)

Upcoming activities, continued

- Host final post-award public forum (by June 30, 2022)
- Make reinsurance payments to health carriers for 2021 expenses (by August 2022)
- Regardless of the status of a 2022 program, the state will receive federal funding, as scheduled, through the end of the program, which will be used to fund a portion of the reinsurance payments.

Questions or comments?